

January 24, 2014

Maine Milk Commission Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the January 24, 2014 meeting were distributed to Commission members, intervenors and other interested parties on December 19, 2013 and sent to the Secretary of State's Office for posting on December 19, 2013.

Commission Present: Mike Wiers, Colon Durrell, John Joseph, Jr. and Matt Randall, *ex-officio*

Commission Absent: Richard Cook

Department Officials: Ellis Additon

Staff Present: Tim Drake, Executive Director, Audrey Shorty, Resource Administrator and Carol Gauthier, Office Associate

Legal Counsel: Lauren Parker

Intervenors Present: Thomas Brigham and Jim Lesser of Oakhurst Dairy, John Blake, H.P. Hood, Julie-Marie Bickford of MDIA, Ben Theriault and Chris Pelletier, Hannaford's and Clayton Davis of DMS/DFA

Others Present: None

Chairman Wiers called the meeting to order at 10:40 a.m.

Agenda Item 1: Minutes: Colon Durrell made a motion to accept the minutes of the December 19, 2013 meeting, John Joseph seconded. Motion passed 3-0.

Agenda Item 2: Lauren Parker, Assistant Attorney General: Chairman Wiers introduced Lauren Parker, the new Assistant Attorney General assigned to the Commission. Lauren gave a brief account of her background and experience.

Agenda Item 3: Minimum Prices:

Tim Drake reported that a prevailing premium of \$1.10/cwt. on Class I for February 2014, Dairy Marketing Services (DMS) and Agri-Mark Cooperative had been reported. In addition to this premium, DMS and Agri-Mark Cooperative reported that an additional \$0.43/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in effect. Federal Order One Class I price for February is \$25.27, an increase of \$0.54/cwt. He explained that a schedule was prepared using this information plus a producer cost of production adjustment (COPA) of \$1.40/cwt. He stated that this price schedule was for informational purposes and that the Commission was not bound to it, and should make their pricing determination after hearing testimony.

Chairman Wiers asked for testimony from the intervenors.

Tom Brigham asked the Commission to consider moving the producer margin down due to the continued strong Class I prices.

Julie-Marie Bickford asked that the Commission continue to be deliberate and to move slowly when moving the producer margin down, she stated that every penny that the margin is dropped is felt by the farmers.

John Blake stated that butterfat prices continue to be strong and is surprising, this will cause whole milk prices to rise.

John Joseph asked what is causing the strong butterfat prices.

John Blake answered that a strong demand for cheese and butter are causing this, he also pointed out that there is always a slight increase around the super bowl.

Julie-Marie stated that a low supply of butter and cream with a decreased supply is helping.

Colon Durrell compared the current Class I price of \$25.27 to the findings of the last cost of production study and concluded that the dealers could be suffering more now than the producers.

Tom Brigham pointed out that on the handout with historical prices, margins and feed prices on September of 2011 a similar Class I price of \$25.03 had a producer margin of \$1.25 implemented. He went on to say that projections for 2014 show strong prices and lower feed prices are in store.

Julie-Marie stated that MDIA was excited about the strong forecast but however fuel prices are up slightly and Maine's dairy farmers are still feeling the effects of past high feed prices. There are many farmers with troublesome debt loads. She felt that in light of this that the Commission should move slowly when considering lowering the producer margin. She also noted that 2011 was a different situation than now and that there are not enough tools to help farms during the tough times. She urged restraint by the Commission going forward.

Colon Durrell made the motion to approve order #02-14 with a producer margin of \$1.35.

Matt Randall seconded the motion.

John Joseph pointed out that the Commission has never moved the producer margin lower in two consecutive months before and that by doing so now it would go against a slow deliberate approach.

Julie-Marie Bickford stated that although corn prices have declined to \$4.50 to \$5 per bushel; soy and alfalfa prices have risen.

Ellis Additon stated that overall feed costs are less because corn is the predominant ingredient in any feed mixture.

John Joseph asked if high milk prices are causing sales pressure for the retailers and processors.

Tom Brigham answered that there is overall pressure in the marketplace and not just in Maine to keep prices low. He also stated that there is a lot of pressure from outside Maine to take market share.

Colon Durrell stated that his comfort level of \$1.16/cwt as a producer margin and the proposed drop of \$0.05 is less than the increase in the Class I price.

Julie-Marie Bickford reported that in the last three to four months Maine has lost 30 farms, that is a 10% decrease in the total number of farms and there is damage being done to the farms now.

John Joseph pointed out that we have also lost a processor within the last year.

Matt Randall asked how much milk is now being processed outside of Maine that used to be processed in Maine.

Tim Drake answered that of the approximate 12 million pounds that formerly went to the Bangor plant over 7 million pounds is now being processed here in Maine.

Chairman Wiers said that this has been a good discussion and that the break points should not be a factor in the Commission's decision making. He agreed that the move downward should be gradual but he did not think that last month's reduction had been enough, and that the proposed \$1.35 was a comfortable level when added to the previous reduction. He then called for a vote on the motion. The motion passed 3-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for January 2014 which showed retail prices for Augusta, Scarborough, South Portland, Brunswick, Biddeford, Bangor and Brewer. The IAMCA price survey for November and December were also reviewed.

Agenda Item 5: Next Scheduled Meetings:

- February 21, 2014, 10:30 a.m.
Room 233, Department of Agriculture, Conservation and Forestry, Augusta ME
- March 20, 2014, 10:30 a.m.
Room 233, Department of Agriculture, Conservation and Forestry, Augusta ME
- April 24, 2014, 10:30 a.m.
Room 233, Department of Agriculture, Conservation and Forestry, Augusta ME
- May 22, 2014, 10:30 a.m.
Room 233, Department of Agriculture, Conservation and Forestry, Augusta ME

Agenda Item 6: Other:

1. **Monthly Financial Report:** The financial report for FY14 was reviewed.
2. **Retail Margins Update:** Tim Drake reported that Shaw's and Gowell's IGA continue to be in non-compliance and that letters have been sent to urge compliance. Chairman Wiers stated that he felt the retailers in question had been given enough time to comply. John Joseph agreed. Colon moved that the Commission instruct the Attorney General's office to move with all due diligence to compel compliance by Shaw's and Gowell's. John Joseph seconded the motion. The motion passed 3-0.
3. **Walmart violation:** Tim Drake informed the commission that he had found milk being sold under minimums at the Brunswick, Maine location. He also related his conversation with legal counsel for Walmart on this matter to date, in short Walmart does not want to pursue a consent agreement with a waived fine for a first offense, and they would rather just pay the fine now and move on. Colon Durrell moved that the Commission consider this a first offense and fine Walmart \$1,000. John Joseph seconded the motion. The motion passed 3-0. Tim Drake will notify Walmart.

Agenda Item 7: Executive Session: None

Adjourned: Adjourned; 11:35 a.m. January 24, 2014.
Tim Drake, Maine Milk Commission